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SUBJECT: PARTICIPANTS POSITIVE ABOUT TURKEY'S POTENTIAL AT ANNUAL INVESTMENT MEETING

¶1. Summary: At the third annual meeting of Turkey's Investment Advisory Council, participants were generally optimistic about Turkey's current investment climate and its future potential. Turkish PM Erdogan emphasized the GOT's commitment to making Turkey an attractive center for global investment while State Minister Babacan touted recent structural reforms as the basis for Turkey's stronger economy (or less vulnerable economy, or more attractive market for FDI). Turkey's Foreign Investor's Association agreed with the positive atmosphere portrayed in media reports and stated that, for the most part, foreign investors in Turkey are optimistic about future potential. End summary.

¶2. The third meeting of the Turkish Investment Advisory Council (IAC) took place in Istanbul on June 28 - 29. PM Erdogan, State Minister Ali Babacan, Finance Minister Kemal Unakitan, Trade and Industry Minister Ali Coskun, IMF Deputy Managing Director Anne Krueger, and representatives from the IMF, the World Bank, the European Investment Bank, and twenty multinational companies participated in the event.

¶3. According to press reports, the general mood of the meeting was relatively positive, with the participants praising the GOT's performance in realizing the commitments it made in previous IAC meetings. Investor concerns focused on limited competition, judicial barriers, lack of IPR protection and the administrative barriers they face in Turkey. As a result of the meeting, the participants issued a Declaration of Outcomes, which calls for the GOT to focus its efforts on increasing privatization and deregulation, improving research and development, innovation, and technology adoption and the use of quality standards, and deepening the financial market developments and efforts to reduce the informal economy. In delivering the consensus findings of the investors, Citigroup Vice Chairman Michael Klein went out of his way to praise the GOT for holding the IAC, and for its accomplishments, saying "there are strong hands on the tiller." Though there is no reason to doubt Klein's sincerity, there may be some connection with Citigroup's rumored interest in buying a bank in Turkey.

¶4. In his address to the council, PM Erdogan expressed the GOT's determination to complete the economic transformation it started. He stressed the importance of the economic and political stability Turkey has achieved in recent years, which have mitigated the negative effects of short-term fluctuations in the economy. Erdogan added that preparing a favorable investment environment and making Turkey an attractive center for global investment was a strategic target for the GOT.

¶5. State Minister Babacan stated that recent structural reforms and successful debt management have strengthened the Turkish economy and made it more resistant to external shocks. He added that Turkey's international competitiveness has increased with the overall improvement in the economy and the GOT's 2006 FDI inflow forecast stands at between USD 13.5 and 24.2 billion.

¶6. Mustafa Alper, Secretary General of the Foreign Investors Association, confirmed the press reports and said that overall the meeting was very positive and participants were pleased with the government's progress. He added that even though Turkey's economy had been shaken by recent market fluctuations, investors generally consider them temporary and see Turkey's investment climate as healthy. He mentioned, however, that in the margins of the meeting some participants expressed concern about the current political debate taking place in Turkey and its ability to affect the markets. Overall, though, investors remain optimistic about Turkey's potential, Alper said.

¶7. The participants who signed the IAC declaration are:

Muhammed A. Alshaya	Alshaya, Kuwait
Jacob A. Frenkel	American International Group, USA
Paul Matthys	Arcelor S.A., Luxembourg
Jacques de Larosiere	BNP Paribas, France
Charles Giancarlo	Cisco Systems, USA
Michael Klein	Citigroup Inc., USA
Phillippe Varin	Corus Group, UK-Netherlands
Paul N. Wright	Eldorado Gold Corp, Brazil
Paolo Monferino	Fiat S.P.A., Italy
Jacques Vincent	Groupe Danone, France

Joong-Geol Kim	Hyundai Motor Co, South Korea
Stef Wertheimer	ISCAR, Israel
Hans-Joachim Koerber	Metro AG, Germany
Yasuo Hayashi	Mitsui, Japan
Darryl Edwards	Nortel Networks Corp., Canada
Johannes Feldmayer	Siemens AG, Germany
Yoshimasa Ishii	Toyota Motor Corp, Japan
Diego Beilacqua	Unilever N.V., Netherlands

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